

CITY OF SOMERVILLE, MASSACHUSETTS
SOMERVILLE AFFORDABLE HOUSING TRUST FUND
KATJANA BALLANTYNE
MAYOR

Andrea Shapiro, Managing Trustee

Trustees

Mary Cassesso
Michael Feloney
Kathryn Gallant
David Gibbs
Donna Haynes
Councilor Charlotte Kelly
Brielle Short
Jessica Turner

Minutes

Thursday, January 13, 2022 Meeting – 5:15 pm

Trustees attending: Mary Cassesso, Michael Feloney, David Gibbs, Donna Haynes, Charlotte Kelly, Andrea Shapiro, Jessica Turner

Trustees not attending: Brielle Short

SAHT and Somerville staff attending: Lisa Davidson, Paul Goldstein, George Proakis

Members of the public attending: Benjamin Baldwin, Elizabeth Haney (Somerville Community Land Trust)

Other members of the public attending: Jill Arnold, Mike Gintz, Vicky I, Megan Kemp, Melanie Malcolm, Cherai Mills, Courtney Morgan Pollack

Meeting started at 5:16 pm, with Andrea Shapiro serving in the role of chair person

1. Review and Approval of October 2021 Meeting Minutes

David Gibbs introduced a **motion** to approve the October meeting minutes, Donna Haynes seconded the motion. Mike Feloney noted that the minutes contained selected clerical errors for correction prior to issuing a final version for posting. The motion was revised so as to accept the minutes as corrected and **passed** unanimously on a roll call vote.

2. Introductions(s)

- **New Trustee City Councilor Charlotte Kelly.** Paul Goldstein introduced new City Councilor at-large Charlotte Kelly, who the City Council President recently designated to represent the Council, succeeding Kristen Strezo. Trustees introduced themselves to Charlotte, who followed with a brief introduction to Trustees.

3. New Business

- **Funding request: Somerville Community Land Trust re. acquisition of 7-9 Summer St.** Andrea Shapiro began by confirming Trustees had an opportunity to review the materials the Somerville Community Land Trust (SCLT) had provided prior to the meeting. Andrea then invited OSPCD Executive Director George Proakis to provide background information on permitting of the 7-9 Summer St. property in advance of SCLT's presentation and request.

George explained that the owner of the property reached out to OSPCD Planning and Zoning staff several years ago about an idea to develop a parcel they owned next to their own residence on Summer St., outside of Union Square. The developer shared their desire to create a project that could serve as workforce housing for Somerville residents. The Zoning Board of Appeals (ZBA) subsequently approved relief needed for the project, which was not large enough to trigger inclusionary zoning requirements in place at the time. To ensure creation of the workforce housing-type units proposed, the ZBA called for a deed restriction ensuring long term affordability to be placed on the completed project.

The developer subsequently proceeded to construction and, several months ago, contacted Housing staff and reported that costs were exceeding the project budget. The developer and their counsel contacted Housing Division staff and reviewed the proposed sales prices for the units based on their understanding of workforce housing. Those prices were consistent with buyers who earn approximately 180% AMI— significantly higher than the conventional definition of workforce housing (generally considered to be households between 80%AMI and 120% AMI).

George went on to note that the choices under the circumstances the City was presented with as essentially three-fold, with the first two being: accept the proposed sales price for the units and forsake creation of any workforce housing, or compel the developer to comply with the original intent to serve workforce households – and by doing so risk imposing severe and potentially catastrophic financial hardship on a community-based developer/owner (and resident) trying in good faith to complete a well-intentioned project.

George concluded by noting that a development subsidy from the Trust would allow the AMI tiers of the units to be brought down significantly, to serve households at roughly 80% AMI. The SCLT would manage the sale and future resale of the units, ensuring through its program that they would be affordable in perpetuity. George noted that the project would be SCLT's first, and one that offers the most appealing opportunity for a positive conclusion to the project consistent with its original intent.

SCLT board president Elizabeth Haney provided a brief presentation to the Trust, along with her colleague Benjamin Baldwin, a SCLT volunteer who would be assisting and taking questions. Elizabeth reiterated that the goal of the SCLT is to fulfill the original vision of the project and in so doing to provide much needed affordable homeownership opportunities in Somerville. The SCLT hopes to provide deeper affordability than traditional workforce housing by targeting buyers at 80% AMI rather than 100%. Elizabeth noted SCLT is currently finalizing a letter of intent which would allow work on a purchase and sales agreement to proceed.

Elizabeth outlined the funding request to the Trust, as including \$1.7 million which would go towards the acquisition costs for the project and the soft costs associated with converting the units to be part of the SCLT. Elizabeth noted that the SCLT is also seeking a bridge loan from Winter Hill Bank for financing between a preliminary closing and the point(s) at which the units could be sold to qualified homebuyers.

Trustee questions and responses from the SCLT included the following, with questions in italics followed by response information.

- *Who would own the property?* A condo association will be created, and each unit would have a deed restriction to keep it permanently affordable.
- *What assurances does the Trust have that it would be contributing to a project which would be permanently affordable?* The deed restrictions on the units would guarantee they remain affordable. Additionally, SCLT's by laws prevent the parcel of land from being sold and having the affordable units replaced with market rate ones.

- *What kind of experience does the development team have, specifically with marketing the units to eligible buyers?* Benjamin Baldwin noted his experience with Community Land Trusts and with affordable development/marketing efforts. Elizabeth followed up noting the SCLT is actively pursuing hiring efforts for an Executive Director, and has set aside part of their budget to hire a development consultant. Mike noted that other SCLT board members have extensive experience with regard to affordable housing development.
- *What other sources of funding are being pursued for this project? Is the City in a position to commit HOME funds to the project?* Due to the unique nature of the project, the only funding sources the SCLT is pursuing at this time are funds from the Trust, the mortgages from the buyers of the units, and the bridge loan. These funding sources will allow the SCLT to move swiftly as opposed to waiting out the process for state or federal funds, which could result in delays that would not work with the seller's timeline.
Mike confirmed that no other City funds are being pursued currently, but that the SCLT is slated to receive funding through a Community Benefits Agreement, which can be considered a form of City funding. Mike further noted that 7-9 Summer St. is one of the most unique affordable housing projects/opportunities he has encountered, and that the developer had gone forward with the project with best intentions; to create workforce housing, and that while significant lessons have been learned, the option presented by the SCLT is seen as a mutually beneficial one for the City and the developer.
- *The Trust has on several cases funded developments or programs which serve a specific population (victims of domestic violence, tenants facing eviction, etc.) Is there any specific target population for these units?* The purpose of the project is to market and sell the units to low-moderate income home buyers. Elizabeth noted that the 2 bedroom units at the property were quite spacious and could accommodate a family.
- *What would the consequences be if the project was not funded by the Trust? Would the property be sold at market rate?* George responded by noting the City took voluntary interest in creating the units. If a third party funding source cannot be identified, then the two less preferable options of selling the units at market rate or putting a local developer in a bad financial situation would have to be considered. George stated that he would continue to pursue other funding options if the Trust did not step in, but noted that search could be difficult.
- *When the project was being built, were waivers for affordable housing considered?* The project was a straightforward special permit and was granted with conditions volunteered by the owner, to designate the units as workforce housing. Subsidy from the Trust will help to make those units even more affordable.

Mike suggested that Trustees prepare additional questions for the SCLT to answer in advance of the next scheduled Trust meeting in February, where the discussion would continue. Trustees noted they would like to see progress on other possible funding sources at the next meeting. George reiterated that pursuing other funding sources could prove difficult as that pursuit would add to the carrying costs, but that OSPCD would look into the possibility of Community Development Block Grant (CDBG) funds for the project.

George Proakis left the meeting at 6:08 PM

Trustees identified information about the bridge loan and what the final AMI tiers for the units would be as items they would like the SCLT to provide further details on at the next meeting. Andrea thanked the members of the public who were in attendance in support of the SCLT, and noted that while the project is an exciting opportunity for the Trust, it is the responsibility of the Trust to exercise due diligence with regard to any request for funding.

Elizabeth noted the seller's goal of closing by March 31st did not seem to be realistic; however, delays in closing would result in increased carrying costs which would be reflected in future pro

formas. Elizabeth offered to respond to additional Trustee questions in memo form in advance of the next meeting. Paul noted he would solicit further questions from Trustees with a deadline to respond via email, and would in turn transmit those questions to the SCLT. Andrea thanked Elizabeth and Benjamin for attending, and noted the Trust is excited for future collaborations with the SCLT.

Elizabeth and Benjamin left the meeting at 6:15 PM

- **Administrative request: Somerville Homeless Coalition re. amendment of Current CPA PASS program contract to increase the original funding amount of \$207,781 by \$118,454.26 dollars with unexpended funds from an expired CPA PASS Program contract** Paul outlined an administrative request from Somerville Homeless Coalition seeking Trust approval to roll over unexpended funds from an expired contract to a current one. Mary Cassesso put forth a **motion** to approve the request. Donna seconded, and the **motion** passed following a unanimous roll call vote.
- **Approval request: graphic design services for annual report preparation** Paul noted that as part of his preparation to produce the Trust's next annual report, he reached out to the graphic designer, Kim Schmidt, who had provided her services on the last annual report that was created in the 2017 fiscal year. Kim provided a quote of \$750 (12.5 hours of her time) for services for the upcoming annual report. Paul further noted that this expense would be paid from the Trust's non-CPA account.

Mary put forth a **motion** to approve the request. Charlotte seconded, and the **motion** passed following a unanimous roll call vote.

4. *Annual Meeting-Election of Officers*

- **Brief review of Trust officer positions, per Trust governing documents (summary memo on governing document content circulated for review prior to meeting)** Paul briefly reviewed the memo he had circulated prior to the meeting, noting that the Trust's governing documents call for four officer positions to be elected on an annual basis: Managing Trustee, Assistant Managing Trustee, Treasurer and Assistant Treasurer. Paul noted that in order to stay in line with the governing documents; the Trust should hold an election of officers, with subsequent discussions about the role of those officers going forward to be had as warranted.

Andrea noted that her preference would be for other Trustees to step into leadership roles, but she would be willing to continue to serve as Managing Trustee if no one else volunteered for the position. Trustees acknowledged the importance of being in step with the governing documents of the Trust. Mary suggested tabling the discussion to next meeting in order to incorporate thoughts from Brielle Short who was unable to attend the January meeting, and to further discuss redefining officer roles, specifically that of the Treasurer. Andrea asked Trustees who were interested to be considered for an officer role ahead of next meeting to note that interest to Paul via email.

Andrea left the meeting at 6:30 PM with Mary Cassesso assuming the role of chair for the duration.

5. *Ongoing business*

- **Financial report(s) review: CPA account and non-CPA account (September-November, 2021)** Paul presented the financial reports for the Trust's CPA and non-CPA accounts for the months of September through November, 2021. Paul noted the CPA account had relatively little activity, but that upon receiving confirmation of the FY22 CPA appropriation to the Trust, that amount (\$1,491,908.58) is now being carried as projected revenue. The non-CPA account has been bolstered by recent loan repayments and a fractional payment in October, and Paul noted

that additional linkage and fractional payments could be expected in the coming months as new developments come online.

Donna asked if potential funding sources for the Trust would be drying up at some point, which she felt was important information with regard to the funding request from the SCLT. Mary noted that revenue projections would be an important tool to use when considering funding requests. Mike noted that funding would not be drying up in the near future, and referenced several current commercial developments which will yield significant linkage payments to the Trust. David Gibbs asked if there was a way to produce historical data on how much subsidy the Trust has provided per unit for past projects. Paul noted he would work to prepare revenue projections and data on per unit subsidy levels in advance of the February meeting.

- **CPA RFP(s): FY22 RFP schedule/status of current funding available to prior award recipients** Paul informed Trustees that he and Housing Division staff have been actively discussing the best way to move forward with Request for Proposals for CPA funded housing programs in the 2022 fiscal year. Given the amount of funding currently available to recipients of past CPA awards, including those issued in FY21 (totaling \$1,634,227.35), Paul suggested that RFP's for the current fiscal year be limited to applicants who did not apply for an FY21 award, with the exception of applicants who will have expended the entirety of their FY21 award at the time a new application is submitted. Trustees were in favor of this approach.

6. *Communications*

- **Review items covered in status update memo circulated for review prior to meeting:**
 - **FY21 Contracts** Paul noted all the contracts for FY21 CPA awards have been executed, providers have been notified and have begun submitting invoices for those contracts.
 - **Home Rule Petition** Paul informed Trustees that the HRP had recently received a favorable report out of Committee. Paul will follow up with recommendations on further advocacy as warranted.
 - **Strategic Visioning** Paul noted Staff is currently finalizing a Request for Price Quotations to incorporate feedback from prospective consultant(s). The document will be circulated to Trustees for review prior to issuance.
 - **Board Reappointments** Mike noted he has reiterated to continuing staff in the new Mayor's office that Trustees are eager to have reappointments proceed. Mike further noted that there are still several boards with vacant seats which are currently the priority.

7. *Announcements*

Mike shared that the Housing Needs Assessment was completed in December, and asked that Paul circulate the completed document to Trustees.

8. *Adjournment*

The meeting was adjourned at 6:58 PM.

Documents distributed:

- October 2021 meeting minutes
- Financial reports, CPA and non-CPA accounts, September-November, 2021
- Memo reviewing roles of Trust officers and procedure for election of officers, as specified in the governing documents of the Trust
- Standing agenda items update memo
- Memo from Somerville Homeless Coalition detailing request to rollover unexpended contract funds into current contract
- Memo from SCLT detailing funding request for the acquisition of 7-9 Summer St. Additional documents from the SCLT included:
 - Developer application for funding
 - Resumes for Elizabeth Haney and Benjamin Baldwin